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Subject: [FR Doc: 05-01035];[Page 2976-2977]; Small business size standards: Size standards for most industries and SBA programs; restructuring

Below are the comments of my company. We would particularly like to draw attention to the involvement of Venture Capitalists. Namely if a company can attract venture capital it has essentially become independent for government funding. It would be a gross misuse of taxpayer's money to fund companies owned by more than 30% by venture capitalist. It is essentially diversion of funds away from their designated purpose. Imposing this suggested cut-off also indirectly protects small companies.

1. Approaches by which to simplify size standards

The USA demographics of company size have change dramatically in the past 20 years. Most Americans (80%) used to be employed by the fortune 500, big businesses. Today 80% of America works for "Small Businesses", that is Businesses under 500 employees. We need a sensible standard on which to base the definition of a small business. A good foundation for this definition is number of employees. Revenue is irrelevant as depending on the type of business receipts are misleading. To retain the 500 employee definition is to include 80% of the country being eligible for Federal acquisition positive discrimination. A Small Business Size of 50 employees would accommodate the original purpose of the SBA. A most important condition must be that venture capitalist ownership of any small business must be less than 50%. This protects the government from financial abuse closing a loop hole of diverting government funds to private investors. It also protects the small business in its formative stages.

2. Calculating business employment size

The most simple and realistic method for size calculation is to include all employees. Giving the appropriate time of employment (for example if a person works part-time, one half of the time then he would be 0.5 of an employee).

3. Use of receipts to measure business size

Revenue is irrelevant as depending on the type of business receipts are misleading. Businesses dealing in very expensive commodities would lose out.

4. Designating size standards on Federal procurements &

5. Establishing a separate set of size standards for Federal procurement

We must have a single size standard across the board; positive discrimination on procurement is essentially bad for everyone. If small businesses are to be given preferential treatment it should be limited to a small percentage. For example

6. Establishing tiered size standards for small business sub-categories

A reasonable size standard would be 50 employees. A subgroup of fewer than 10 employees could be given advantages in easing the administrative burden of government contacting; as in financial reporting and payment issues. Very small companies struggle with this burden and most government contacts are admin-heavy.

7. Simplification of the affiliation and joint venture provisions

Affiliations and partnership must also come under the size standard in their total employee number. Provision for matched funding and larger company affiliations are given in the SBIR phase III regulations which allow this interaction at the appropriate time.

8. Grandfathering existing small businesses from revised size standards

This is an important issue and a time period of 12 to 18 months would be an appropriate adjustment period.

9. Assessing the impact of size standards on non-SBA Federal regulations

Simplification would be enhanced by reducing the Small Business Size to 50 Employees.